

SOVA
24 Mar 82Soviet Grain Financing Activity

During the current Long-Term Agreement year (October 1981 - September 1982), the Soviets have so far raised at least \$1 billion in short-term credits to finance grain purchases. About \$600 million of that total appears to have been for US-origin grain.

As for non-US purchases, Moscow in late 1981 obtained a nearly \$200 million loan from US and Swiss banks to buy Argentine grain. In February, the Australian Wheat Board gave exporters a \$170 million government-guaranteed loan for the sale of 1 million tons of wheat.

Although the Soviets have approached a number of banks directly for grain credits, most of the loan activity has been arranged through the grain trading companies. US, West European, and--according to one unsubstantiated report--Arab banks have all participated in the \$1 billion in financing. In addition to credits for grain purchases, Soviet-owned banks in Europe have raised funds for sugar purchases through British, Japanese, and French banks.

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Most of the USSR's remaining grain purchases--at least for the next three to four months--is likely to be financed with short-term notes. In the main, these carry commercial terms of 15 to 18 percent for 150 to 180 days. Soviet officials have already told grain traders that future purchases of US grain will be made only if credits are made available. The 3 million tons of US grain we expect the Soviets to buy for delivery by 30 September will require additional financing of \$400 million.

Ultimately Moscow's ability to obtain credits will depend on whether the grain trading companies can raise the required funds. US banks have become skittish about increasing their lending to the Soviet Union, largely because of Poland. In fact, some US banks are now implementing policies to lessen their exposure to the USSR.

While most of the non-US grain not yet purchased will come from Argentina, there may also be some small additional purchases from Canada, the EC, and Australia. Argentina, Canada, and Australia all have official credit facilities similar to the US Commodity Credit Corporation.

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Any additional French, Canadian, and Australian sales
are likely to be financed with government-guaranteed credits.

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USSR: Grain Imports

(million tons/millions \$)

	<u>Expected Purchases</u> <u>This LTA Year^a</u>		<u>Actual Purchases</u> <u>and Commitments to Date</u>	
	<u>Volume</u>	<u>Value</u>	<u>Volume</u>	<u>Value</u>
TOTAL	45.0	6,300	34.9	4,900
US	16.0	2,250	13.3	1,850
Argentina	11.4	1,600	6.5	900
Canada	9.0	1,300	3.5	1,200
EC	3.0	400	2.5	350
Australia	3.5	450	2.0	300
Eastern Europe ^b	1.0	150	1.0	150
Other ^b	1.1	150	1.1	150

^a Long-Term Agreement Year (October 1981 - September 1982).^b Soviets do not pay hard currency for all of these purchases.

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